

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 IO-12 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 PA-03 PRS-01

USIA-12 AGR-20 COME-00 CIAE-00 INR-09 NSAE-00 TAR-02

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2359

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E. O. 11652: N/ A

TAGS: ETRD EIND EFIN JA

SUBJ: IMPORT LIBERALIZATION - INDICATIONS OF
ACTION ON INDUSTRIAL QUOTAS

REF TOKYO 2421

SUMMARY: LEADERS OF JAPANESE ELECTRONICS INDUSTRY
HAVE PRESENTED PM TANAKA AND MITI MINISTER NAKSONE
WITH PROPOSED PACKAGE FOR IMPORT LIBERALIZATION OF
COMPUTERS AND INTEGRATED CIRCUITS. ISSUE NOW SEEMS
TO BE UNDER SERIOUS NEGOTIATION BETWEEN INDUSTRY
AND MITI. END SUMMARY.

1. MR DOKO, CHAIRMAN OF THE JAPAN ELECTRONIC INDUSTRY
DEVELOPMENT ASSOCIATION (JEIDA) AND OTHER JEIDA
OFFICIALS MET WITH MITI MINISTER NAKASONE MARCH 5 AND PRIME MINISTER
TANAKA MARCH 6 TO DISCUSS LIBERALIZATION OF COMPUTER AND IN-
TEGRATED CIRCUITS (I. C. S).

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2. IN DISCUSSIONS WITH JEIDA' S SECRETARY GENERAL
(MR AKIFUSA), EMBASSY CONFIRMED THAT JEIDA PRESENTED
TANAKA AND NAKASONE WITH PACKAGE PROPOSAL FOR LIBERALIZATION
AS FOLLOWS:

A. IMPORTS OF COMPUTERS TO BE LIBERALIZED APRIL 1977;

B. IMPORTS OF INTEGRATED CIRCUITS TO BE LIBERALIZED
APRIL 1976;

C. INVESTMENT IN SOFTWARE TO BE LIBERALIZED ON 50
PERCENT PRINCIPLE APRIL 1977;

D. SUBSIDIES FOR DEVELOPMENT OF COMPUTERS, ETC. DURING JFY
1972-1974 SHOULD BE INCREASED FROM 34.1 BILLION YEN TO 70.5
BILLION YEN;

E. SUBSIDIES (INCLUDING ITEM D ABOVE) TOTALLING
104.6 BILLION YEN SHOULD BE GRANTED BY JFY 1976;

F. ADDITIONAL SUBSIDIES AMOUNTING TO 60 BILLION YEN SHOULD
BE GRANTED TO THE JAPAN ELECTRONIC COMPUTER
COPORATION (JECC) TO PERMIT DEPRECIATION OF
WORKING ASSETS;

G. JECC' S INTEREST RATE SHOULD BE LOWERED TO
3.5 PERCENT FROM 7.5 OR 8 PERCENT;

H. SUBSIDIES TOTALLING 7 BILLION YEN SHOULD BE
GRANTED FOR DEVELOPMENT OF I. C. INDUSTRY;

I. SUBSIDIES OF 10 BILLION YEN SHOULD BE GRANTED
FOR DEVELOPMENT OF SOFTWARE INDUSTRY;

J. THE GOJ SHOULD BE EQUIPPED WITH LAW FOR THE
IMPOSITION OF EMERGENCY TARIFFS OR THE TEMPORARY
SUSPENSION OF IMPORTS TO COPE WITH THE RAPID
INCREASE IN IMPORTS RESULTING FROM LIBERALIZATION.

3. COMMENT: SERIOUS NEGOTIATIONS ARE NOW EVIDENTLY
UNDER WAY BETWEEN MITI AND DOMESTIC COMPUTER
INDUSTRY ON QUOTA LIBERALIZATION. TERMS OF DOMESTIC
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INDUSTRY, LISTED PARA 2, REPRESENT ITS INITIAL

NEGOTIATING POSITION IN LIGHT OF APPARENT
GOJ DECISION TO MOVE FROM STATUS QUO. EMBASSY
BELIEVES PACKAGE EMERGING FROM INDUSTRY- MITI
NEGOTIATIONS MAY INCLUDE (A) ANNOUNCEMENT OF DATES
FOR LIBERALIZATION (WITH POSSIBILITY THAT LIBERAL-
IZATION MAY COME YEAR OR TWO EARLIER THAN PROPOSED
BY INDUSTRY), (B) SUBSIDIES TO DOMESTIC MANUFACTURERS
TO HELP OFFSET EFFECTS OF LIBERALIZATION, AND
(C) PROBABLY SOME SORT OF UNDERTAKING BY GOJ TO
SAFEGUARD PROVISION COVERING POSSIBLE SITUATION
IN WHICH LIBERALIZATION RESULTS IN UNEXPECTED
MARKET DISRUPTIONS.

4. RE RELATION BETWEEN THESE MOVES ON INDUSTRIAL
SIDE AND FUTURE OF QUOTAS ON AGRICULTURAL
COMMODITIES, FONOFF SOURCE HAS SUGGESTED THAT
GOJ STRATEGY IS TO BEGIN WORK FIRST ON INDUSTRIAL
QUOTAS AND THEN SHIFT ATTENTION TO AGRICULTURAL
QUOTAS, WITH INTENTION OF PRODUCING PACKAGE
COVERING SOME ITEMS ON BOTH INDUSTRIAL AND
AGRICULTURAL SIDE. WITH RESPECT TO AGRICULTURAL
QUOTAS, PRIME MINISTER HAS REQUESTED MINISTER OF
AGRICULTURE AND FORESTRY TO REPORT WHICH AGRICUL-
TURAL QUOTAS MIGHT BE LIFTED. EMBASSY'S MAF
SOURCES REPORT THAT MINISTER IS PERSONALLY
OPPOSING REMOVAL OF ANY AGRICULTURAL QUOTAS, AND
IT REMAINS MOOT POINT WHETHER (AND, IF SO, HOW)
HIS OPPOSITION CAN BE OVERCOME. DECON 3/14/74.
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